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Fashion and lifestyle industry: Anywhere/anytime consumption and fast rotation force firms to professionalize supplier management

Munich, July 2018: Fashion and lifestyle companies need to operate with speed and flexibility to cope with the tough competition from fast-fashion retailers, the need to be present in digital channels and the changes in the way modern consumers communicate and shop. Players have no choice but to adapt their entire supply chain to the new customer demands they face. Some 40 percent of fashion retailers are therefore currently seeking new suppliers that help them better satisfy these requirements. Indeed, only one in five companies has a professional system of supplier management in place, according to the latest Roland Berger study, "Dynamic supplier management" ([Download study here](#)), which gathered insights from decision-makers in the fashion and footwear industry.

"The fashion and lifestyle industry has undergone a radical transformation over the last 20 years," says Richard Federowski, Partner at Roland Berger. "Retailers are able to present as many as 40 seasons a year and digital players are in a position to make overnight deliveries, operate very generous return policies and enable customers to communicate, get their next inspiration and share their personal views online, at any time of the day or night. Digitalization has significantly changed the way people shop."

Unsurprisingly, many an incumbent fashion company is having trouble keeping up with these trends and staying agile. "The city center shop window is no longer what determines the next big thing in the fashion world," says Federowski.

Only one in five firms have defined supplier management processes in place

To be successful in the fiercely competitive fashion market, it's not enough simply to offer customers an omnichannel shopping experience. The entire supply chain needs to be adapted and it needs to be agile from end to end – above all on the supply side. Many companies have already identified the problem, as evidenced by the fact that more than half of the respondents in the Roland Berger study believe dynamic supplier management needs to be a core element in their corporate strategy. That said, many are unaware that this is, in fact, one of the keys to achieving a competent omnichannel offering.

Less than one-third of the companies polled (29%) said that supplier management currently formed an integral part of developing their own firm's strategy, and just one-fifth said that their companies had structured processes in place for managing and developing suppliers. More than 40 percent of respondent firms are currently looking for new suppliers.

But as Federowski points out, "Just being geographically close to your suppliers is not enough." Companies cannot be successful in the omnichannel business without a dynamic and flexible supply chain behind them. "The whole of the procurement organization needs to move faster and it needs to be more agile, more digital and more innovative. Dynamic supplier management is a big part of that," explains Oliver Hein, Senior Advisor at Roland Berger. "It all needs to be seamless end to end – that's the key to success."

Dynamic supplier management – Cluster-specific analysis

What dynamic supplier management necessitates first and foremost is a regular strategic analysis of the supply chain. This involves clustering suppliers according to their capabilities – for example, one group encompassing fast and flexible volume suppliers, one consisting of creative suppliers for new collections and another cluster comprising specialist suppliers. For each of the clusters, a scoring system is established whereby suppliers can be evaluated on a regular basis and their status compared against the strategic goal.

"Building on the knowledge that this yields, fashion companies can actively manage, control and develop their suppliers. Which is a key factor in being

able to operate successfully end to end," explains Federowski. This kind of dynamic supplier management enables firms to increase their speed and flexibility in procurement, improve their supplier reliability and reduce their rate of write-offs. When they do that, the entire industry is then able to exploit the resulting optimization potential.

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